

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Mirela Kruja</b>
<b>Advisor:</b>	<b>Prof. Roman Horváth, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Alternative Investment in Art Assets</b>

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

*Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.*

### **Short summary**

The thesis explores the price dynamics of various alternative financial assets, such as art, stamps, or wine in Great Britain from 1960 to 2017. It uses the price indexes developed by Christophe Spaenjers (and his co-authors). The thesis examines to what extent the evolution of these price indexes corresponds to the macroeconomic environment (captured using standard macroeconomic variables and some other variables such as the measure of uncertainty) using cointegration and Granger causality techniques.

### **Contribution**

The novelty lies in the topic. Our profession did not examine the determinants of alternative investments such as wine, art, and stamps frequently. We have a relatively limited understanding (and empirical evidence) of the evolution of prices of alternative investments (and its determinants) and only a few economists systematically focus on these issues (for example, the aforementioned Christophe Spaenjers or Roman Kraussl). It is a pity that the thesis does not dig deeper and does not discuss many important aspects, such as the difficulties regarding the construction of art price indexes (there are some issues, for example, repeated sales, private transactions, etc.). The choice regarding the specification of regression models should have been discussed in much greater detail.

### **Methods**

The author uses several methods. Apart from visual inspection of the series and some descriptive statistics, the Granger causality tests and vector error correction models are carried out.

First, the author presents time series plots of art, wine, and stamp price indexes and comments upon its evolution. It is not described which country the indexes are from, probably from Great Britain as we learn in the following subsection when macroeconomic variables are presented. One learns that the thesis uses data from Great Britain not sooner than on page 16.

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Formulas are not properly defined. The formulas are mostly right but lack explanations of what the letters used in the formulas stand for.

The exposition of VECM models is a bit vague. It would be preferable to follow the textbook-type exposition to make things clear.

## Literature

The literature coverage is solid; important studies are discussed. The regression results are compared to the existing research in a separate subsection.

## Manuscript form

There are some typos but not many. For example, some entries in the references have some parts missing: Campbell, R. (2005) 'The art of portfolio diversification'. is without a journal, volume, issue, or pages. Overall, the manuscript form is quite reasonable.

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

Despite some of my critical remarks above, I find the thesis defensible. The thesis estimates a vector error correction model to study the determinants of art, wine, and stamp prices over several decades. The topic is quite novel. The thesis is reasonably written and discusses in detail important relevant studies.

The results of the Turnitin analysis do not indicate significant text similarity with other available sources (except for the previous version of the thesis itself).

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 D.

Question:

Which series is used for long-term interest rates? The thesis says it uses the data for Great Britain from 1960-2017 from the World Bank datasets. Table 1 reports a minimum of 4.24 for the long-term rate. Given the data from the 2010s, I would expect that the minimum is closer to zero (in fact, the World Bank reports a lending rate of about 0.5 for the years 2010-2014).

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution (max. 30 points)</i>	17
<i>Methods (max. 30 points)</i>	12
<i>Literature (max. 20 points)</i>	18
<i>Manuscript Form (max. 20 points)</i>	17
<b>TOTAL POINTS (max. 100 points)</b>	<b>64</b>
<b>GRADE (A – B – C – D – E – F)</b>	<b>D</b>

**NAME OF THE REFEREE:** *Prof. Roman Horváth, Ph.D.*

**DATE OF EVALUATION:** *16th January 2024*

*Digitally signed (16.1.2024)\_Roman Horvath*  
**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