

Report on Master Thesis

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

Student:	Michal Palas
Advisor:	Bozena Bobkova
Title of the thesis:	The Role of Heterogeneous Households in the DSGE model: Application to the Czech Republic

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

This master thesis analyses the role of Rule of Thumb consumers in the DSGE model which is calibrated for the Czech Republic. More specifically, Michal is interested primarily how the share of R-o-T households influences reaction of the economy to the government spending shock and other shocks in the model. In my opinion, this topic is very interesting since the share of non-Ricardian households who cannot smooth their consumption is quite high in the Czech Republic and the inclusion of this type of households is crucial for the DSGE model. The reaction of Czech economy to a certain shock (e.g. monetary shock) is expected to be very different than in standard DSGE model. The assessment of the sensitivity of the model to different shares of the poor households has a significant value added.

Michal stems from a well-chosen and state of art DSGE literature including the papers dealing with calibration of the parameters. He is able to work very well with the articles, compare them and extract the important information and apply it for his research.

He built a state of art medium size DSGE model including several features which bring the model closer to the reality, e.g.: inclusion of capital and investments, habit formation, sticky prices and primarily covering the foreign economy. I appreciate he was able to correctly split and later aggregate foreign and domestic consumption and investments. Moreover, Michal also correctly linked the domestic economy to the foreign economy. To set the value of share of Ricardian households, Michal employed several estimation procedures (lvs, GMM,..) and correctly performed them.

He described the reaction of different variables to certain shocks in detail, he correctly identified how the variables react to each other and compared his findings with recent literature. He come up with interesting results for the Czech economy in terms of determinacy of the model, comovements of several variables and economic implications for the economy.

In general, the thesis is well structured and well written. Moreover the thesis covers a real significant economic research and was highly demanding in every aspect. In my opinion, this master thesis significantly outperforms the average of master theses at our university. **I highly recommend this thesis for a defence and I suggest grade A. Under former conditions, I would recommend this thesis for a distinction.**

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

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

NAME OF THE REFEREE:

DATE OF EVALUATION:
6 January, 2017


Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě