Report on Master Thesis

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

Student:	**Bc. Štěpán Minařík**
Advisor:	**PhDr. Milan Rippel**
Title of the thesis:	**Financial Crisis as a Result of Risk Management Failure**

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

Předkládaná diplomová práce je zaměřena na problematiku vzniku a příčin současné hospodářské krize. Autor se snaží najít jednotlivé determinanty krize. V první části práce autor věnuje zvláštní pozornost interpretaci krize jako selhání finančních institucí na poli řízení rizik, zejména rizika úvěrového a operačního (je poskytnuto několik citací, z kterých vyplývá existence morálního hazardu na straně managentu bank – odměňovací schéma bylo založené na počtu poskytnutých úvěrů bez ohledu na možné riziko s nimi spojené). Autor retrospektivně sleduje genezi krize od pádu Lehman Brothers v září 2008 až k roku 1993 (Community Reinvestment Act). Druhá, ekonometrická část diplomové práce studuje vztah mezi cenou cenných papírů krytých hopotékami a cenou akcií společností, které tyto cenné papíry emitují (Fannie Mae).

Autor prokázal schopnost práce s relevantní literaturou, v diplomové práce jsou využity ekonometrické postupy vyučované v průběhu studia na IES. Dílčí výsledky i závěry práce jsou poměrně srozumitelně formulovány. Bohužel autor nebyl schopen specifikovat takový model, který by přinesl do dané problematiky nějaké nové poznatky – závěry práce tak nejsou příliš originální.

Z hlediska zvolené metodologie a celkového přínosu je tedy možné práci hodnotit jako průměrnou. Předkládaná diplomová práce dle mého názoru ve většině ohledů splňuje požadavky kladené na studenta IES. Vzhledem k výše uvedenému proto doporučuji práci k obhajobě a navrhuji známku **„velmi dobře" (2).**

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	16
Methods	*(max. 30 points)*	22
Contribution	*(max. 30 points)*	18
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**74**
GRADE	**(1 – 2 – 3 – 4)**	**2**

NAME OF THE REFEREE: PhDr. Milan Rippel

DATE OF EVALUATION: 18/06/2010

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

Report on Bachelor/Master Thesis

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

Student:	Jan Vomáčka
Advisor:	Prof. Josh Stilman
Title of the thesis:	Financial Intermediaries and Economic Growth: Evidence from the Czech Republic 1995–2007

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

The thesis is a voluminous work on pension reforms, with 80 pages of a descriptive survey, 18 pages of analytical work, and 20 pages of data annex. There is very little to say to Chapters 1-3, which essentially introduce into pension systems, following established sources (chiefly OECD 2005). The main work that really corresponds to requirements put on Master thesis is concentrated in Chapter 4.

The thrust of Chapter 4 is a principal component analysis of 48 qualitative and quantitative variables on a sample of 23 EU countries. The approach is definitely legitimate, but I have the following concerns:

- Much of the description of the methods remains unexplained. Why is MTV (maximizing total variance) method selected? (On p. 84, you say that it is closer to the standard technique, so interpretation is easier – why?) How does B-spline optimal scaling of qualitative data actually work? Why is it selected?
- Data: I am not happy with mechanically mixing policy variables, demographic variables, and changes in variables (reforms). This is clearly a mix of dependent and independent variables. In principal component analysis, the components represent best-fitting linear models of relationship such that the models are linearly independent. Unless you are sure that your underlying linear models are good, including dependent variables is not innocent, because thereby you include spurious regressions.
- Importantly, this type of analysis cannot be used for policy analysis (note scarce attempts to make a policy judgment, as on the end of page 91). This is because the analysis gives almost no indication of robustness of the underlying relationships.

A 5-page-long conclusion is unsatisfactory. It's too long and does not give clear answers to questions in the introduction. To provide new and moreover ad hoc information is absolutely forbidden in a conclusion (see 2006 EC report on p. 100). It is too little for me to get that you find a five-pillar system (as advocated by the World Bank) reasonable and efficient (p. 100), if you have no analysis on that point.

Sugested question for the defense is:

- "In the space of the two principal components, can we observe convergence of divergence of the pension systems?"

In the case of successful defense, I recommend **"velmi dobře" (good, 2)**.

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TOTAL POINTS	*(max. 100 points)*	**74**
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REFEREE'S NAME: Martin Feldstein

DATE: 12. 2. 2009

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REFEREE'S SIGNATURE