

# Report on Rigorous Thesis

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

Student:	Terezie Výprachtická
Advisor:	Prof. Kateřina Šmídková
Title of the thesis:	Fiscal Rules in the European Union

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

The submitted Thesis represents a comprehensive and thoughtful analysis of the complex phenomena. The author tries to assess qualitatively and quantitatively the effects of fiscal rules, as applied in the European Union on the fiscal outcomes and on the financial markets' interpretation of these fiscal outcomes. Given the complex relationship between the rules and fiscal outcomes and financial markets, it is an ambitious agenda that the author tackles with vigor and delivers some interesting results. I suggest that the Thesis is approved and the grade I recommend is 1, i.e. excellent, even though I am not happy that the paper Hedbávný, Schneider, Zápál (2005) <http://ies.fsv.cuni.cz/sci/publication/show/id/1557/lang/cs>, did not make it to references ☹.

I have an opportunity to review the paper when it was submitted to the IES' working paper series and most of my comments have been already incorporated, so there are only a few general observations. Terezie sometimes makes a strong statement or refers to an opinion, but does not provide backing for her statement. A good example that survived from the previous version of the Thesis is the statement on page 34 "For example the debt of Greece is mostly owned by French and German banks...". Well, yes, maybe, but how should the reader know, when there is no source or quantification provided by the author. Sometimes, we are left in darkness what data Terezie uses. On page 106, for example, she says that she uses the cyclically adjusted structural balance based on the Eurostat data, but the chart 3 on the very next page says the structural deficits at the IMF definition.

The most important and interesting are the results. Here I have two main questions. First, estimates on page 46 show that the Public Debt variable is not significant when estimating a change in the structural primary balance. It would be interesting to see whether this conclusion would stand if we included the 2010 – the footnote 34 on page 37 says that 2010 data "will" be available in July 2010, which does not impress a reader in March 2011 all that much.

Second, the key methodological issue is the "two-way" analysis, whereby the author interprets the same data in two directions: from fiscal policy to financial markets' reaction and *vice versa*. Not being an econometrician, I would appreciate a more comprehensive discussion of the merits of such an approach.

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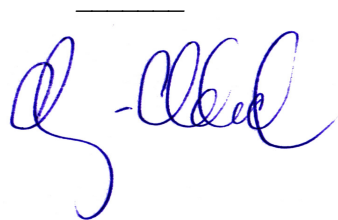
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## **SUMMARY OF POINTS AWARDED** (for details, see below):

CATEGORY		POINTS
Literature	(max. 20 points)	20
Methods	(max. 30 points)	20
Contribution	(max. 30 points)	30
Manuscript Form	(max. 20 points)	20
<b>TOTAL POINTS</b>	(max. 100 points)	<b>90</b>
<b>GRADE</b>	<b>(1 – 2 – 3 – 4)</b>	<b>1</b>

**NAME OF THE REFEREE:** Ondřej Schneider

**DATE OF EVALUATION:** March 22, 2011



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