

Report on Bachelor / Master Thesis

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

Student:	Nikoloz Kudashvili
Advisor:	Doc. Roman Horváth, Ph.D.
Title of the thesis:	Determinants of Economic Growth: A Bayesian Model Averaging

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

I had the opportunity to discuss Mr. Kudashvili's thesis quite extensively during the master thesis seminar (for which I am responsible), so I am quite familiar with his work. Mr. Kudashvili has already incorporated most of my comments from the seminar, and I would like to congratulate him on a well-crafted master thesis. Indeed, I believe Mr. Kudashvili's thesis ranks among the best ones submitted for defense this year.

The thesis examines the determinants of GDP growth across countries using Bayesian model averaging. The novelty in comparison with previous research is the inclusion of the debt-to-GDP ratio, which fits well into the current academic debate. Somewhat surprisingly, Mr. Kudashvili finds a positive relation between debt and growth, which is not in line with the current research of Reinhart and Rogoff (in their 2012 paper they show that their result that debt hurts growth holds even if the mistake in their 2010 paper is accounted for).

I like the use of Bayesian model averaging, which addresses model and parameter uncertainty. Many possible factors may influence the cross-country differences in growth rates, and it is difficult to select a reasonable subset of these factors based on economic theory. Bayesian model averaging enables us to use all the variables; the method estimates many of their possible combinations and constructs a weighted average over them (with weights being approximately proportional to the ability of the model to explain data). BMA is often used for growth regressions, but what I especially like about the application of BMA in this thesis is that the author provides sensitivity tests with respect to different choices of priors.

During the defense, Mr. Kudashvili should talk more about the causality between debt and growth. One can doubt the ability of growth regressions to capture the direction of this causality. (On a more negative note, one may doubt the usefulness of growth regressions in general. Sometimes their hypotheses are quite tautological. For instance, is the "degree of capitalism" important for economic growth? Of course it is. What can we learn from this?). Mr. Kudashvili should explain why he only uses 21 countries (and, thus, 21 observations) to test his main hypothesis. I also think section 6.5 is incomplete; on p. 57 it ends with "To test whether." Which variables were used to instrument debt? I also believe the formatting of tables and figures could be better. On the other hand, the thesis is written in very good English.

In sum, this is a good thesis that deserves an "A."

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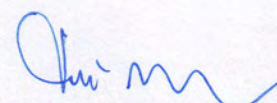
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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	19
<i>Methods</i> (max. 30 points)	28
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	90
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *PhDr. Tomáš Havránek*

DATE OF EVALUATION: *May 31, 2013*



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