

Report on Bachelor / Master Thesis

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

Student:	Nikoloz Kudashili
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):

Nikoloz examines the links between public debt and growth. A lot has been written on this topic and recent findings created a lot of controversy. But Nikoloz manages to contribute sufficiently to this literature and to highlight the future course of this research.

Nikoloz applies Bayesian model averaging to analyze the effects of public debt on long-term economic growth. The Bayesian model averaging might be a quite useful modeling strategy. The problem with growth regressions is that so many different factors matter for growth and researcher tend to choose several factors in rather ad hoc manner. Model averaging techniques put structure on this problem and may well address the issue of omitted variable bias. In addition, Bayesian model averaging provides posterior inclusion probability, which can be informally interpreted as the probability that a given factor (regressor) should be included in the ideal model of economic growth.

The mathematics as well as application of Bayesian model averaging is far from easy. Nikoloz mastered this issue extremely well and showed a high level of proficiency. I also appreciate extensive literature survey of different growth theories.

The econometric results suggest that higher debt has a positive result on economic growth. But this is only when endogeneity issues are ignored. If endogeneity is addressed, the results suggest that public debt have no effect on growth in the OECD countries. I would be happy to see more on the interpretation of these results because they are of great policy relevance.

I suggest the grade A for Nikoloz.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	19
<i>Methods</i> (max. 30 points)	30
<i>Contribution</i> (max. 30 points)	27
<i>Manuscript Form</i> (max. 20 points)	17
TOTAL POINTS (max. 100 points)	91
GRADE (1 – 2 – 3 – 4)	1

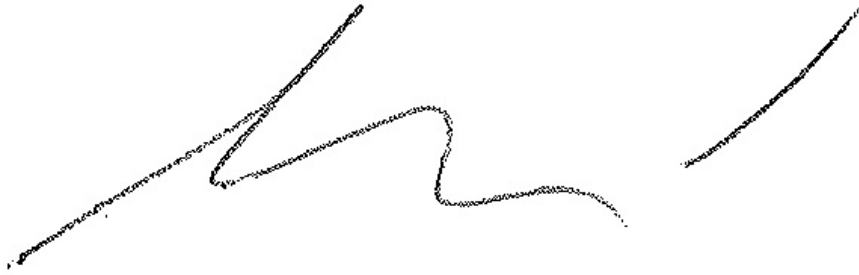
NAME OF THE REFEREE: Doc. Roman Horvath, PhD

DATE OF EVALUATION: May 31, 2013

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