

Report on Bachelor / Master Thesis

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

Student:	Robert Havelka
Advisor:	doc. Roman Horváth, Ph.D.
Title of the thesis:	Dutch disease in Russia

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

The thesis with a title "Dutch disease in Russia" aims to deal with the phenomenon stated directly in its name, which might be understood as a curse of natural resources. Combining the theory of international finance with advanced concepts from applied econometrics the proclaimed goal of the author is to assess whether several symptoms of the "disease" can be recently detected in Russia.

The extent of the thesis which is roughly 34 pages of the text ranks the work to a group of rather shorter theses, which, however, does not detract from its quality. The aim, structure, working hypotheses, and conclusion are clearly stated and carefully elaborated and even enough space remained for an extensive and high-quality literature survey. The text of the thesis is supplemented by 7 pages of very detailed Appendix with econometric results, documenting the effort devoted (and possibly not seen for the first glance) to the analysis.

From my personal point of view and academic experience, there is one specific aspect making bachelors theses defensible which is the formal correctness (i.e. a clear structure, aim, and conclusion; proper referencing, formal language, etc.) and one main aspect for bachelors theses to be successful which is some (even partial or tiny) contribution to the field. I am pleased to summarize at the very beginning of this report that the author managed both aspects well and due to the quality of the entire thesis I can honestly suggest the highest grade (1).

Within the Introduction, the concept of "Dutch disease" and recent and recent past situation in Russia is outlined. In a nutshell, the "disease" stands for the situation when the exuberant natural resources endowment of a country hinders its development in other areas (e.g. the institutional aspect, international competitiveness etc.). The term "Dutch disease" is particularly connected to the situation when strong export of natural resources leads to the appreciation of the real exchange rate which undermines the country competitiveness in other industrial sectors on the international market.

In the second chapter several points of view on the natural resources curse is offered together with the parallel literature review supporting the findings. In this chapter I was only confused by the sentence on page 14: "Ramey & Ramey (1995)... help to prove wrong hypothesis that business-cycle volatility does not affect long-term growth." I still do not understand its meaning. How the "wrong" hypothesis could have been proved?

The third chapter introduces and discusses the logic of the econometric model, which is the "heart" of the thesis. Many of important statements are again supported by ongoing literature review. I have one doubt and one question to this part. The doubt at first: at the beginning of the chapter (3.1) as well as in further text a model of a small economy by Corden & Neary (1982) is discussed. As Russia can be described in various ways, but definitely not as a small open economy. What relevance then this model brings to the topic? Are not its findings misleading to a great extent in the case of a large economy? The question: what might be the extent of bias and ambiguity caused by the "economic transition". Might it be crucial or is it rather negligible? On the other hand, I appreciate the fair approach of the author in the end of the chapter pointing out the possible drawbacks of selected methods.

The fourth chapter covers the well elaborated econometric part testing four "symptoms" combining sound descriptive analysis supported again by continuing literature review and theoretical macroeconomic findings. But again, the argumentation using the Balassa-Samuelson model of small open economy does not seem properly used to me. On the other hand, the author is again completely fair regarding the limitation of selected procedures (pg. 23 bottom line, pg. 31 upper part etc.). I also have a suggestion to the depiction of the model equations and tables with results: there is no need to

Report on Bachelor / Master Thesis

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

Student:	Robert Havelka
Advisor:	doc. Roman Horváth, Ph.D.
Title of the thesis:	Dutch disease in Russia

state them in the same way as working variables are labeled, the more familiar form (why capitals?) could have been chosen and more detailed description of variables could have been offered to the reader (L perhaps stands for logarithmic transformation?, what does the "LEUIMP" stand for in Tab. 6?). Also the properties and advantages of so called "log-log" model could have been recalled to the reader when commenting on results (e.g. pg. 36).

The conclusion both summarizes the results as well as highlight the problems author had to deal within the work on the thesis - particularly the problematic availability or even unavailability of the data, problematic division between oil and manufacturing sector and between manufacturing and service sector. But similar problems and ambiguities are likely to appear in the majority of topics concerning macroeconomic questions and hypotheses. So the situation is not surprising, but it is always important to comment on possible drawbacks and imperfection (regarding to assumptions of theoretical approaches etc.) which was done perfectly. Thus it is not a case of a "results-mining" as is common in many other theses, but the objective and credible evaluation of proposed questions. I am only curious why "Russia's economy needs more diversification and internationally competitive sectors not dependent on oil price." In what sense? Who said this?

Suggestions for further research are an interesting challenge, the topic could certainly be extended further.

Details to the evaluation:

Literature:

The most distinctive part of the thesis, very careful and almost "never-ending" literature review pervading the entire thesis and supporting many aspects of the discussion. I would only suggest using the correct form of "et al." (with a dot) and the correct forms: Krugman (1997) **shows** but Oomes and Kalcheva (2007) **show** (plural). There are many typos of this kind and a huge mismatch in the text.

Methods:

Well chosen, well elaborated, well discussed. The theory of cointegration is very advanced and strongly surpasses requirements imposed on bachelor level theses. On the other hand, the problems with the unavailability of some data might have been expected in advance.

Contribution:

The main contribution consists of utilizing of the newest possible data, introducing a new variable (which finally appear statistically significant) into the econometric model and analyzing the set of partially different methods for the detection of the "Dutch disease" symptoms than in other literature.

Manuscript form:

The aim, structure, working hypotheses, and conclusion, are clearly stated and carefully elaborated. I also highly appreciate the use of English even on the bachelors level. The English used is on relatively high level, although several "czenglish" sentences can be found, e.g.:

"Sometimes mentioned with regard to Dutch Disease are international aid and loans..."

"On such income inequality in resource-dependent countries report Buccellato & Alessandrini (2009)..."

"... official explanation Rosstat (2013) does not provide."

Report on Bachelor / Master Thesis

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

Student:	Robert Havelka
Advisor:	doc. Roman Horváth, Ph.D.
Title of the thesis:	Dutch disease in Russia

The abbreviations e.g. and i.e. are used completely wrongly in several situation (e.g. pg. 26, 27). I recommend the author to get a bit familiar with the sense when starting working on his master thesis.

Several spelling typos could have been easily corrected by one more careful scanning of the text, e.g.:

- a mismatch of apostrophes and quotation marks: „resource curse“ (Czech version) vs. "economic transition" (English version);

- a mismatch of capital letters, mainly within the Content, the List of Tables;

- the empty List of Figures should not be there;

- "Russia's" (many times) does not exist, only "Russia" or "Russian";

- "Ruský" in Czech language does not exist, only "ruský". Abstract should really be correctly written!

- RER and real exchange rate is used interchangeably in the text, I would suggest keeping strictly one of these two options;

- "into two categories of two", "Real REER" (pg. 21); "the volume of exported oil almost doubled in volume" (pg. 28);

- improper short versions as "does't", "didn't" etc. should not be used in academic text; and others.

Suggested questions for the defense are:

"What are the main advantages and disadvantages of methods selected for your analysis? What might be the extent of biases and ambiguities caused by the "economic transition" (pg. 18), financial crisis of 2008 (pg. 20), or unavailability of the data (pg. 29). Might it be crucial or is it rather negligible?"

Summary:

As large, I do find this thesis completely satisfying academic standards for bachelors theses both in terms of formal correctness as well as contribution to the field. Personally considered, the successful interconnection of international macroeconomic theory with advanced econometrics techniques strongly surpassing bachelors level requirements together with extensive literature survey pervading the entire work are the most distinctive qualities of the thesis.

I am very pleased I can recommend the thesis "Dutch disease in Russia" to defense at the IES FSV UK and in case the Commission agrees, I suggest the grade "1". i.e. "excellent".

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

CATEGORY	POINTS
Literature (max. 20 points)	19
Methods (max. 30 points)	27
Contribution (max. 30 points)	25
Manuscript Form (max. 20 points)	14
TOTAL POINTS (max. 100 points)	85
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Jiří Kukačka

DATE OF EVALUATION: June 9, 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