

Report on Bachelor Thesis

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

Student:	Előd Orosz
Advisor:	doc. Roman Horváth, Ph.D.
Title of the thesis:	Inflation Target Setting in Emerging Markets

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

This thesis focuses on the analysis of inflation target setting in developing countries and its aim is to find determinants of inflation targets in emerging markets and compare targets with developed countries.

The empirical part is preceded by the theoretical chapter which provides background of inflation targeting. Author gradually explains why inflation targeting is a central bank's tool of a great importance: starting with a thought of maximization of the welfare of society and the role of monetary policy, mentioning the cost of inflation and connecting inflation targeting with New Keynesian model. Then author answers (using many references to current literature) natural questions regarding inflation targeting. Last part of this chapter is dedicated to emerging markets and the reasons for their higher inflation targets.

This part is very well written, with strong support of current literature and references to the recent economic development. It logically connects many aspects of inflation targeting and immediately answers possible questions that could arise. Links to the recent situation in Hungary nicely emphasise the connection of this theoretical background to the current economic problems.

The key contribution lies in the empirical part. Author proves advanced knowledge of various econometric methods when he examines determinants of inflation targets. The dataset is well described; variables that enter all models are based on the literature and economic logic. Results from the random effects interval panel regression are compared to other regression models and appropriate statistical tests are carried out. Furthermore, apart from dropping outliers, author also uses interesting method how to deal with this issue. All results from all models are properly questioned, discussed and provide interesting conclusions. Final comparison of determinants of inflation targets in developed and developing countries perfectly concludes this thesis.

For a defence discussion I would suggest following question:

What do you think - will the importance (significance) of inflation targets determinants for emerging markets vary in time?

After successful defence I suggest grade A - "výborně" and nominate this thesis for Dean Award.

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

CATEGORY	POINTS
Literature (max. 20 points)	18
Methods (max. 30 points)	28
Contribution (max. 30 points)	28
Manuscript Form (max. 20 points)	19
TOTAL POINTS (max. 100 points)	93
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Lenka Herrmannová

DATE OF EVALUATION: 10.6.2013

Lenka Herrmannová
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