

# Report on Master Thesis

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

<b>Student:</b>	<b>Vědunka Kopečná</b>
<b>Advisor:</b>	<b>PhDr. Jaromír Baxa, Ph.D.</b>
<b>Title of the thesis:</b>	<b>The relationship between unemployment components and economic growth: the Czech Republic case</b>

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

The aim of the thesis is to study the dynamics of two components of unemployment – structural and cyclical unemployment – during the economic cycle. This is an important research question with potentially important implications for policy-makers aiming to reduce unemployment, since optimal policies differ based on the share of unemployment of cyclical and structural nature.

The author provides an exhaustive review of related literature. To study her research questions she uses elaborate methods (DSGE model, nonlinear rational expectations model) and it is obvious that she devoted an enormous amount of time working on the theses which is very extensive and provides detailed analysis of the topic.

Since I do not specialize in macroeconomics I will leave the assessment of the contribution of the thesis to the supervisor. That said, for a reader with fields of interest other than macroeconomics, the thesis would benefit from providing more intuition behind the model and its contribution.

Potential questions for the discussion during the defence would be the following:

- The standard definition of cyclical unemployment is that it occurs during the periods of economic slowdown when there is insufficient aggregate demand to provide jobs for those searching for work. To what extent is the main finding that during a period of economic slowdown cyclical unemployment rises driven purely by the definition of cyclical unemployment and assumptions of the model? Please provide more intuition for the contribution of the model.
- It seems that the novel feature of the model is the (simplifying) assumption that households do not solve the optimization problem. It would be worth explaining why is this considered a more realistic assumption and, importantly, what are the consequences of it. Specifically, how do the predictions of the model differ compared to standard models without such an assumption? Does the model provide any novel predictions?

I am happy to recommend the thesis for the defence and suggest grade A (výborně, 1).

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

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

**NAME OF THE REFEREE:** Julie Chytilová

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**DATE OF EVALUATION:** May 26, 2015



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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