

# Report on Bachelor / Master Thesis

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

Student:	Tobek Ondřej
Advisor:	PhDr. Mgr. Michal Hlaváček, Ph.D.
Title of the thesis:	Was improper monetary policy the cause of real estate bubbles in Eurozone peripheral countries? Implications for future policy

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

The thesis is very good. Student uses very advanced econometric techniques despite he is a bachelor student. The student addresses a problem which is of high importance recently. The methods used are appropriate for answering research questions. Therefore, I recommend evaluating the thesis **excellent (1, výborně)**.

However, I found some errors that could bias results. Student uses yields on German government 10Y bonds to calculate policy neutral real interest rate. However, yields on 10Y Bunds were significantly reduced by higher risk aversion during Euro Area Debt Crisis. Moreover, peripheral countries were forced to hike VAT which increased HICP inflation. Therefore, neutral real interest rates in peripheral countries can be underestimated by student's choice of HICP and yields on 10Y Bunds. This could bias results, i.e. underestimate policy rates calculated by Taylor rule.

Student sometimes uses "HCIP" instead of HICP.

Student uses marginal lending rate. However, refinancing rate is the main monetary policy tool of ECB. This wrong choice could also impact results.

Simulated results are counterintuitive. The optimal monetary policy rate in Germany in 2011 and 2012 should be around 4% according to simulated Taylor rule. However, German economy was almost in recession in these years.

The results are not robust across all specifications (VARs). Therefore, it is not possible to draw so strong results from them, I think.

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

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	25
Contribution (max. 30 points)	27
Manuscript Form (max. 20 points)	20
<b>TOTAL POINTS</b> (max. 100 points)	<b>92</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

NAME OF THE REFEREE: Václav Franče

DATE OF EVALUATION: 31.5.2014

  
Referee Signature