Report on **Rigorosus Thesis**

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

Student:	**Mgr. Tomáš Olešňaník**
Advisor:	**PhDr. Jaromír Baxa, Ph.D.**
Title of the thesis:	**Current Accounts in Monetary Union**

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

The thesis contains a significantly revised and updated version of a diploma thesis defended by Tomáš Olešňaník in 2013. The paper is focused on analysis of determinants of current account imbalances in the EU. The topic seems to be timely and relevant for current policy discussions in the EU as the period prior the Great Recession has been characterized not only by expansionary fiscal policy in many countries, but also by persistent current account deficits especially in the southern eurozone suggesting existence of diverging trends in the EMU. However, causes of such divergence have not been fully understood, yet.

The author utilizes the standard framework of current account regressions which is estimated using time-specific fixed effect estimator. Furthermore, the analysis is focused on determinants that affect current accounts on medium-term and long-term horizons. The variables comprise the dummy variable for membership in the eurozone, the fiscal balance, financial sector developments and then a set of variables implied by the intertemporal theory of current accounts.

The structure of the paper is logical and follows from introduction over stylized facts and literature review to empirical exercise. Also, important sensitivity checks are included, e.g. the effect of potential endogeneity, the effect of influential observations as well as subsample analysis is studied.

The main conclusions point to the importance of twin deficits hypothesis in the EMU that have been financed by rising credit availability both to private as well as government sector. Although the financial sector developments are often mentioned as one of the causes of banking and financial crisis in the EU, their potential effect on current accounts is usually often left behind.

The paper is a significantly revised and shortened version of diploma thesis defended last year. The revisions include extension of dataset, covering of recent literature and revision of the whole text. Furthermore, all comments and questions raised by the opponent of the diploma thesis, by the reviewer of the working paper version and last but not least many comments of mine have been incorporated. The main part of the thesis has been already published as IES Working paper and currently, we prepare a paper for submission in refereed journal.

From my point of view, this thesis can be successfully defended as rigirous thesis.

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

CATEGORY	POINTS
Literature *(max. 20 points)*	20
Methods *(max. 30 points)*	30
Contribution *(max. 30 points)*	30
Manuscript Form *(max. 20 points)*	19
TOTAL POINTS *(max. 100 points)*	**99**
(doporučuji, nedoporučuji)	**doporučuji**

NAME OF THE REFEREE: *Jaromír Baxa*

DATE OF EVALUATION: *17.3.2015*

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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			
81 – 100		= excellent	
61 – 80		= good	
41 – 60		= satisfactory	
0 – 40		= fail	= nedoporučuji k obhajobě