

# Report on Master Thesis

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

<b>Student:</b>	<b>Bc. Martin Dvořák</b>
<b>Advisor:</b>	<b>Mgr. Lukáš Vácha, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Monetary Transmission Mechanism: A Closer Look Inside the Black Box</b>

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

I have reviewed the thesis prepared by Martin Dvorak on monetary transmission mechanisms and unconventional monetary policies (UMPs) utilized by some central banks over the past few years as a response to the financial crisis. Author starts by reviewing existing and recently utilized UMPs by discussing their main parameters and summarizing existing UMPs related literature. Author further discusses transmission channels. In the empirical part of the work Martin runs VAR/VECM models on data covering period of several years prior the crisis as well as years of the crisis. In this part author thoroughly discusses different technical aspects of modelling using selected types of models (e.g. models specifications, tests to perform etc.). Next part of the thesis provides a review of existing literature on UMP perspectives. The final part concludes. I understand that author's ultimate goal was to assess UMPs in a structured way and categorize them.

The reviewed literature ranges from well established and recognised sources on quantitative methods and conventional monetary policies to recent papers on unconventional policies and transmission mechanisms, which in my view is good thing considering author's ultimate target and empirical exercise performed. Nevertheless, sometimes it is hard to understand whether author is quoting some source or presents his own ideas – number of quotes in the text could have been bigger.

I consider methods used in an empirical part of the thesis relevant and adequate considering the research question and data quality (i.e. model specification, tests performed, types of empirical models selected).

The manuscript form is also a strong side of the work. The paper is well structured, thoughts are well presented, concepts are well explained. It is easy to follow and pleasant to read thanks to good English.

Overall, I'd like to state that I have a mixed impression from the work reviewed. On the one hand, it touches very hot and relevant topic given recent developments in national and global economies. UMPs, transmission channels and quantification of impact are, without doubt, subject to further academic analysis and also are among CBs instruments, in developed economies at minimum. Author also shows his ability to work with both theoretical concepts and quantitative methods and models. The manuscript form and language are also adding to the overall high quality of the work. The amount of literature reviewed is impressive as well. On the other hand, however, author looks at rather wide range of issues without going into much technical details of different types of UMPs. To my mind the thesis can be effectively divided into three parts: initial part providing rather qualitative and theoretical assessment (summary) of UMPs and UMPs along with discussion of transmission channels giving the reader a broad perspective on UMPs and UMPs – which is in accordance with the author's goal but clearly not enough for the whole thesis; very technical empirical part devoted to the VAR/VECM modelling of selected macroeconomic variables – in this chapter author provides mainly technical discussion of empirical results without giving much of economic or UMP related conclusions; the part summarizing certain aspects of UMP perspectives, which is effectively an additional review of existing literature. My main issue is that the overall work seems to be rather inconclusive in a way that (i) author effectively states that the UMP topic is complicated and its different aspects should be further studied and (ii) that empirical part seems not to be particularly related to the theoretical framework established in the first part of thesis, i.e. as I understood main message coming from the empirical part is that use of data from the period of recent turmoil distorts the models estimates due to structural breaks (which is rather straightforward and kind of expected).

I would like Martin to answer the following questions when defending his work:

- How exactly the empirical part of the thesis is linked and related to the theoretical one?

# Report on Master Thesis

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

<b>Student:</b>	<b>Bc. Martin Dvořák</b>
<b>Advisor:</b>	<b>Mgr. Lukáš Vácha, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Monetary Transmission Mechanism: A Closer Look Inside the Black Box</b>

- What exactly is the conclusion of the empirical part of the research? How does modelling of selected macroeconomic and credit variables help us to understand issues and future challenges of UMPs?
- Could you restate the conclusion so the value added and contribution of the work can be clearly comprehended?

I appreciate the amount of work done by Martin, his effort to structure UMP assessment and his research skills, thus I give Martin 81 points and suggest a grade „A“ if above stated questions are clarified and the thesis successfully defended.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	22
<i>Contribution</i> (max. 30 points)	21
<i>Manuscript Form</i> (max. 20 points)	20
<b>TOTAL POINTS</b> (max. 100 points)	<b>81</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** *Mgr. Vyacheslav Lypko*

**DATE OF EVALUATION:** 2014-06-19

\_\_\_\_\_  
*Vyacheslav Lypko*  
**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