

Report on Bachelor / Master Thesis

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

Student:	Karel Jára
Advisor:	Jan Průša, Ph.D.
Title of the thesis:	Monetary Expansion and Economic Crises: An Austrian Perspective

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

I have read Karel Jara's thesis with interest. Let me begin with the things I like about his work. First, I admire that the author is not afraid to choose a heterodox topic for his thesis theme. It takes some courage not to use an econometric model in the thesis, because the student knows he must work hard to deliver a new piece of theory or develop a very innovative narrative concerning the problem in hand. I also like the style of the thesis; especially the first two chapters are very readable, and written in excellent English. Also the literature review in the thesis is adequate, although I would appreciate more references to papers that do not share the author's view. For these reasons the thesis scores high in terms of categories "Literature" and "Manuscript Form".

The problem of the thesis is the lack of contribution – I have not been able to identify much novelty in this work. The thesis is a textbook-style summary of the Austrian Business Cycle theory. I have been in contact with the author for about 2 years at the master's thesis seminar, and till the last semester I still hoped for an empirical chapter that would somehow test the predictions of the theory. The result is disappointing; what I see is a few figures with the development of key macroeconomic indicators in the US accompanied with a vague commentary. While this is acceptable for a blog post (or perhaps a B- or C-graded bachelor's thesis), I am not sure whether it is enough for a master's thesis.

My prior before and after reading the thesis is that the "Austrian Business Cycle Theory" is a somewhat obsolete concept (the main proposition of the theory has penetrated the mainstream), and is difficult to test empirically. I don't think business cycle research can focus on a single parameter (in this case the interest rate). But if I were to select one aspect that drives crises, it would probably be trust (or lack thereof) – and the word "trust" does not even appear in the thesis.

I am sorry to be so negative, but given the lack of any contribution in the thesis I cannot recommend a better grade than C, and the student should work hard during the thesis defense to persuade the committee his thesis has merit. In general, when discussing the forecasts of economic crises, the author should also be more modest and avoid statements like "... a widespread proper understanding of the functioning

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of the capitalist economy as well as the phenomenon of sudden downturns of economic activity would have had to lead to much more than a few individuals drawing attention to massive problems and being unheard by the rest of the scholarly public." The point is that swings in trust among market participants are notoriously difficult to predict. I doubt that the theory presented in this thesis, with its very narrow focus, can add much to our understanding of the business cycle.

Questions for the defense: What is your original contribution to the research literature on business cycles? How can the Austrian Business Cycle Theory be falsified?

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	17
<i>Methods</i> (max. 30 points)	13
<i>Contribution</i> (max. 30 points)	11
<i>Manuscript Form</i> (max. 20 points)	19
TOTAL POINTS (max. 100 points)	60
GRADE (1 – 2 – 3 – 4)	3

NAME OF THE REFEREE: *PhDr. Tomáš Havránek, Ph.D.*

DATE OF EVALUATION: *August 13, 2014*



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