

Report on Bachelor / Master Thesis

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

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| Student: | Nela Gábrišová |
| Advisor: | doc. Mgr. Tomáš Holub, Ph.D. |
| Title of the thesis: | Helicopter Drop of Money - Is It Feasible in Practice? |

OVERALL ASSESSMENT:

The thesis analyses the concept of helicopter drop of money as a potential unconventional monetary policy tool aimed at stimulating the economy stuck in the liquidity trap (or at the zero lower bound). First, the theoretical background of the concept is introduced - both in Friedman's original form, and also by reviewing the more recent literature. Practical limitations and options to execute the policy are also discussed. Although the policy has not been used so far, the author argues that quantitative easing used by major central banks shares several features with the HDoM and thus she describes them and assesses their effects in the USA and Japan using a VAR model.

The thesis reviews the concept of HDoM very thoroughly, particularly the assumptions that should be met to ensure that the policy is effective. Also, the hypothetical practical execution of the policy is discussed well. The thesis is written reasonably well for the BA thesis and I suggest a 1 (výborně) grade.

Nevertheless, there are several points which could have been improved upon:

- I believe that too much emphasis was put on the original Friedman's model, which (at least from how it is described in the thesis) is "outdated" compared to the recent macroeconomic models, since it is not built on micro-foundations and is built solely around the money demand equation. Instead, I miss a description of how more recent models of the HDoM work (the author sketches Buiter's assumptions in Section 3.2, but the mechanics of the model is not described).

- In Chapter 4, the author draws a similarity between the HDoM and the quantitative (or qualitative) easing. However, there are many crucial differences between the policies, which are not described and the thesis could benefit from their description (mainly the portfolio rebalancing channel and the wealth effect channel). The QE also aims at lowering the long end of the yield curve, while the HDoM theoretically squeezes ex ante real rates along all maturities (due to an increase in inflation expectations).

- In the empirical analysis, the analysed time series are very long (starting in 1973 and 1974 for the US and Japan, respectively). Couldn't this length affect the results of the empirical analysis (due to a structural break / breaks, which plausibly occurred in the considered period)? Has the author performed the analysis based on subsamples and checked the stability of the results?

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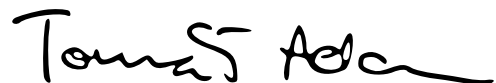
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SUMMARY OF POINTS AWARDED (for details, see below):

| CATEGORY | POINTS |
|---|---------------|
| <i>Literature</i> (max. 20 points) | 15 |
| <i>Methods</i> (max. 30 points) | 25 |
| <i>Contribution</i> (max. 30 points) | 25 |
| <i>Manuscript Form</i> (max. 20 points) | 18 |
| TOTAL POINTS (max. 100 points) | 83 |
| GRADE (1 – 2 – 3 – 4) | 1 |

NAME OF THE REFEREE: Tomáš Adam

DATE OF EVALUATION: 30 May 2016



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 |